

UNITEDSTATES **CURITIES AND EXCHANGE COMMISSION** Washington, D.C. 20549

OMB APPROVAL 3235-0123 OMB Number:

April 30, 2013 Expires: Estimated average burden hours per response.....12.00

> SEC FILE NUMBER **8**-48011

### ANNUAL AUDITED REPO **FORM X-17A-5 PART III** FEB 28 2012

**FACING PAGE** 

Information Required of Brokers and Dealers Pursuant to Section 17 of the Securities Exchange Act of 1934 and Rule 1723 Thereunder

REPORT FOR THE PERIOD BEGINNIN	G <u>01/01/2011</u>	AND ENDING3	12/31/2011
	MM/DD/YY		MM/DD/YY
A. R	EGISTRANT IDENTIF	ICATION	
NAME OF BROKER-DEALER: RenCa	p Securities, Inc		OFFICIAL USE ONLY
ADDRESS OF PRINCIPAL PLACE OF E	BUSINESS: (Do not use P.O.	Box No.)	FIRM I.D. NO.
780 Third Avenue, 20th	Floor		
	(No. and Street)		
New York	NY	1	.0017
(City)	(State)	(2	Zip Code)
NAME AND TELEPHONE NUMBER OF Vincent Celauro			ORT 646-216-1705 (Area Code – Telephone Number)
<b>B.</b> A	CCOUNTANT IDENTIF	TICATION	
INDEPENDENT PUBLIC ACCOUNTAN Ernst & Young LLP	VT whose opinion is contained	in this Report*	
	(Name - if individual, state lass	, first, middle name)	
5 Times Square	New York	NY	10036
(Address)	(City)	(State)	(Zip Code)
CHECK ONE:			
Certified Public Accountar	ıt		
☐ Public Accountant			
☐ Accountant not resident in	United States or any of its pos	ssessions.	
	FOR OFFICIAL USE	ONLY	

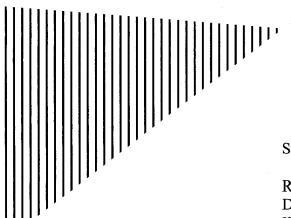
\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

> Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

SEC 1410 (06-02)

#### OATH OR AFFIRMATION

I. Anthony Simone	, swear (or affirm) that, to the best of
my knowledge and belief the accompanying financial	statement and supporting schedules pertaining to the firm of
RenCap Securities, Inc.	, as
of December 31	, 2011, are true and correct. I further swear (or affirm) that
neither the company nor any partner, proprietor, prince	cipal officer or director has any proprietary interest in any account
classified solely as that of a customer, except as follow	vs:
	$\wedge M/C$
	17/1/2
JORDAN R.D. CONNELL	
Notary Public, State of New York	Signature
No. 01CO6229127 Qualified in New York County	Chief Executive Officer
Commission Expires October 4, 2014	Title
Notary Public	
This report ** contains (check all applicable boxes):   ☑ (a) Facing Page.	
(a) Facing Fage.  (b) Statement of Financial Condition.	
(c) Statement of Income (Loss).	
☐ (d) Statement of Changes in Financial Condition.	
(e) Statement of Changes in Stockholders' Equity	or Partners' or Sole Proprietors' Capital.
(f) Statement of Changes in Liabilities Subordina	ited to Claims of Creditors.
<ul> <li>□ (g) Computation of Net Capital.</li> <li>□ (h) Computation for Determination of Reserve R</li> </ul>	equirements Pursuant to Rule 15c3-3.
<ul><li>☐ (h) Computation for Determination of Reserve R</li><li>☐ (i) Information Relating to the Possession or Con</li></ul>	ntrol Requirements Under Rule 15c3-3.
(i) A Reconciliation, including appropriate explain	nation of the Computation of Net Capital Under Rule 15c3-1 and the
Computation for Determination of the Reserv	re Requirements Under Exhibit A of Rule 15c3-3.
☐ (k) A Reconciliation between the audited and una	audited Statements of Financial Condition with respect to methods of
consolidation.	
(I) An Oath or Affirmation.	congrately bound as per SEC Rule 17a-5(e)(4)
☐ (m) A copy of the SIPC Supplemental Report.	separately bound as per SEC Rule 17a-5(e)(4) found to exist or found to have existed since the date of the previous audit.
(n) A report describing any material inadequacies	tound to exist of found to have existed since the date of the provious additi-
**For conditions of confidential treatment of certain	portions of this filing, see section 240.17a-5(e)(3).



STATEMENT OF FINANCIAL CONDITION

RenCap Securities, Inc.
December 31, 2011
With Report of Independent Registered Public Accounting
Firm

Ernst & Young LLP



# Statement of Financial Condition

December 31, 2011

### **Contents**

Report of Independent Registered Public Accounting Firm	]
Statement of Financial Condition	2
Notes to Statement of Financial Condition	
Notes to Statement of Philanetal Condition	



Ernst & Young LLP 5 Times Square New York, NY 10036-6530

Tel: +1 212 773 3000 Fax: +1 212 773 6350

# Report of Independent Registered Public Accounting SEC

Board of Directors RenCap Securities, Inc. FEB 28 2012

We have audited the accompanying statement of financial condition of Rengan Securities, Inc. as of December 31, 2011. This statement of financial condition is the responsibility of the Company's management. Our responsibility is to express an opinion on this statement of financial condition based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statement of financial condition is free of material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the statement of financial condition, assessing the accounting principles used and significant estimates made by management, and evaluating the overall presentation of the statement of financial condition. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the statement of financial condition referred to above presents fairly, in all material respects, the financial position of RenCap Securities, Inc. at December 31, 2011 in conformity with U.S. generally accepted accounting principles.

February 24, 2012

1

Count & Young LLP

# Statement of Financial Condition

# December 31, 2011

Assets	
Cash	\$ 10,715,511
Receivables from clearing broker	2,880,127
Fixed assets, net	2,530,295
Due from affiliates	1,778,258
Income taxes receivable	1,062,705
Deferred tax asset	1,054,159
Other assets	802,311
Total assets	\$ 20,823,366
Liabilities and stockholder's equity	
Liabilities:	
Accrued compensation	\$ 4,555,177
Accounts payable and accrued expenses	722,682
Due to affiliates	16,213
Total liabilities	5,294,072
Stockholder's equity:	. *
Common stock, \$0.01 par value; 100 shares authorized, issued,	
and outstanding	1
Additional paid-in capital	11,549,999
Retained earnings	3,979,294_
Total stockholder's equity	15,529,294
Total liabilities and stockholder's equity	\$ 20,823,366

See the accompanying notes to the statement of financial condition.

### Notes to Statement of Financial Condition

December 31, 2011

#### 1. Organization

RenCap Securities, Inc. (the "Company") is a broker-dealer registered under the Securities Exchange Act of 1934 and is a member of the Financial Industry Regulatory Authority ("FINRA"). The Company is a wholly-owned subsidiary of Renaissance UK Holdings Limited (the "Parent"), a UK registered company, which is a wholly-owned subsidiary of Renaissance Financial Holdings Limited, a limited liability company incorporated in Bermuda. The financial statements of the Parent are consolidated in the financial statements of the holding company, Renaissance Holdings Management Limited ("RHML"). RHML is primarily engaged in the Russian and CIS financial markets and provides a full range of financial services to clients. RHML is incorporated in Hamilton, Bermuda.

The Company is engaged principally in the purchase and sale of American Depository Receipts, Global Depository Receipts and local shares linked to the Russian and African equity markets. In addition, the Company offers US listed option sales and execution. Trades are executed on an agency basis. The Company provides its foreign affiliates with access to financial institutions primarily located in the United States and Latin America. In exchange for these services the Company earns a net share of commission and brokerage income.

### 2. Significant Accounting Policies

#### **Basis of Accounting**

The Company's statement of financial condition has been prepared in accordance with U.S generally accepted accounting principles ("GAAP").

#### **Use of Estimates**

The preparation of the statement of financial condition in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the statement of financial condition and accompanying notes. Actual results could differ from those estimates.

#### **Securities transactions**

Securities transactions and related expenses are recorded on a trade date basis.

### Notes to Statement of Financial Condition (continued)

### 2. Significant Accounting Policies (continued)

#### **Fixed Assets**

Furniture, equipment and computer software are carried at cost and are depreciated on a straightline basis using the estimated useful lives of the respective assets, ranging from three to five years.

Leasehold improvements are being amortized on a straight-line basis over the shorter of the estimated useful life of the improvement or the term of the lease.

#### **Income Taxes**

The Company accounts for taxes in accordance with ASC 740, *Income Taxes*. Under the liability method, tax rates are applied to cumulative temporary differences based on when and how they are expected to affect the tax return.

Deferred income tax assets and liabilities are determined based upon differences between financial statement and tax bases of assets and liabilities that will result in taxable or deductible amounts in the future, based on enacted tax laws and rates applicable to the periods in which the differences are expected to effect taxable income. Valuation allowances are established, when necessary, to reduce the deferred income tax assets to the amount expected to be realized.

ASC 740-10, Accounting for Uncertainty in Income Taxes, clarifies the accounting for income taxes by prescribing a "more likely than not" recognition threshold that a tax position is required to meet before being recognized in the financial statements. In addition, the guidance clarifies the measurement of uncertain tax positions, classification of interest and penalties, and requires additional disclosures on tax reserves.

#### **Foreign Currencies**

Assets and liabilities denominated in foreign currencies are translated at year end rates of exchange.

### Notes to Statement of Financial Condition (continued)

#### 2. Significant Accounting Policies (continued)

#### **Stock-Based Compensation**

RHML provides equity-based awards to certain employees of the Company. These awards are accounted for as liability awards under ASC 718, *Share-Based Payment* on the books of the Company. The value of such awards is initially determined at grant date. ASC 718 requires that the Company record an expense for liability awards at fair value each reporting period.

#### 3. Net Capital and Other Regulatory Requirements

The Company, a registered broker dealer, is subject to Rule 15c3-1, the Uniform Net Capital Rule, of the Securities and Exchange Commission ("SEC"). This rule requires the maintenance of minimum net capital. The company utilized the alternative method available under this rule and is required to maintain \$250,000 in minimum net capital. At December 31, 2011, the company had net capital of \$8,311,387 which was \$8,061,387 in excess of the required minimum net capital.

Advances, dividends, and capital withdrawals may be limited by various regulations in order to maintain required minimum net capital.

Proprietary balances, if any, held at the Company's clearing broker ("PAIB assets") are considered allowable assets for net capital purposes, pursuant to agreements between the Company and the clearing broker, which require, among other things, that the clearing broker performs computations for PAIB assets and segregates certain balances on behalf of the Company, if applicable.

With respect to its introduced customer transactions in domestic securities, the Company is exempt from SEC Rule 15c3-3 under paragraph (k)(2)(ii) of that rule. With respect to transactions in foreign securities the Company operates pursuant to the exemption from Rule 15c3-3 under paragraph (k)(2)(i) of that rule.

### 4. Receivables from Clearing Broker

The Company introduces and clears certain customer trades on a fully disclosed basis through its clearing broker, JP Morgan Chase. In the normal course of business the Company will have commissions receivable, which normally will be paid the first week following month end. At December 31, 2011 the total amount due from JP Morgan Chase was approximately \$2.9 million. \$1.0 million consists of a clearing deposit and approximately \$1.9 million consists of commissions receivable. All commissions were paid in early January 2012.

# Notes to Statement of Financial Condition (continued)

#### 5. Fixed assets

Fixed assets at December 31, 2011 consist of the following:

Equipment Leasehold improvements	\$ 962,406
± ±	3,774,823
Computer software	91,942
<u> </u>	427,663
urniture and fixtures	5,256,834
Less accumulated depreciation and amortization	2,726,539
	\$ 2,530,295

#### 6. Income taxes

At December 31, 2011, the Company recorded a deferred tax asset of \$2,092,891, which primarily relates to accrued bonus compensation not yet deductible for tax purposes. The Company recorded a deferred tax liability of \$1,038,732, which primarily results from a change in the accounting method (for income tax purposes only) related to its accrued bonus compensation. At December 31, 2011, the Company did not have a valuation allowance for the deferred tax assets as it is, more likely than not, that it will be fully realized.

The Company analyzed its tax positions with respect to applicable income tax issues for open tax years in each respective jurisdiction with a tax analysis as of December 31, 2011 and determined that there was no requirement to accrue any liabilities, pursuant to ASC 740-10. Accordingly, the Company did not accrue any interest or penalties for the year ended December 31, 2011.

### 7. Related Party Transactions

Commission and brokerage income are earned by the Company for extending the affiliate's purchases and sales of American Depository Receipts, Global Depository Receipts and local shares linked to the Russian equity market. Related trades are executed on an agency basis. The Company is compensated on a "cost plus" method and as a result a portion of the earned commission and brokerage income is retroceded to a foreign affiliate. At times, the costs incurred at the Company exceed the commission and brokerage income earned. This may result in an amount due from the Company's affiliate. Included in Due from affiliates on the statement of financial condition is approximately \$1,395,111 related to this cost plus arrangement. Also included in Due to affiliates are costs paid on behalf of the Company by its affiliates. At December 31, 2011 this amounted to approximately \$16,213.

# Notes to Statement of Financial Condition (continued)

# 7. Related Party Transactions (continued)

Amounts Due from affiliates generally arise from costs paid by the Company on behalf of its affiliates. At December 31, 2011, this amounted to approximately \$371,155.

# 8. Commitments, Contingent Liabilities and Concentration of Credit Risk

The Company leases office space under a non cancellable operating lease. Minimum future rental payments remaining under the lease as of December 31, 2011 are as follows:

	Minimum Rental Payments	
Year ending:	•	(24.210
2012	\$	634,219
2013		645,750
		645,750
2014		645,750
2015		
Thereafter		1,022,438
	\$	3,593,907

The operating lease expires in August 2017 and is subject to escalations

Pursuant to a clearing agreement with JP Morgan Chase, the Company introduces all of its domestic securities transactions to its clearing broker on a fully disclosed basis. ASC 460, Guarantees, requires the Company to disclose information about its obligations under certain guarantee arrangements. ASC 460 defines guarantees as contracts and indemnification agreements that contingently require a guarantor to make payments to the guaranteed party based on changes in an underlying (such as an interest or foreign exchange rate, security or commodity price, an index or the occurrence or nonoccurrence of a specified event) related to an asset, liability or equity security of a guaranteed party. This guidance also defines guarantees as contracts that contingently require the guarantor to make payments to the guaranteed party based on another entity's failure to perform under an agreement as well as indirect guarantees of the indebtedness of others. In that regard, the Company has agreed to indemnify, without limit, its clearing broker for losses that they may sustain from the customer accounts introduced by the Company. At December 31, 2011, there were no significant unsecured customer balances maintained by its clearing broker and subject to such indemnification. Customer transactions introduced by the Company are typically collateralized by customer securities or supported by other types of recourse provisions. In accordance with industry practice and regulatory

# Notes to Statement of Financial Condition (continued)

# 8. Commitments, Contingent Liabilities and Concentration of Credit Risk (continued)

requirements, the Company and the clearing broker monitor collateral on the securities transactions introduced by the Company. At December 31, 2011 and during the year then ended, there were no amounts to be indemnified to the clearing broker for these accounts. Trades during 2010 were executed on an agency basis.

The Company maintains its cash balances with one major financial institution.

#### 9. Fair Value Measurement

The Company values all investments in accordance with ASC 820 "Fair Value Measurements and Disclosures" ("ASC 820") (previously, Statement of Financial Accounting Standards No. 157, "Fair Value Measurements"). ASC 820 defines fair value, establishes a framework for measuring fair value, and establishes a fair value hierarchy which prioritizes the inputs to valuation techniques. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market.

Valuation techniques that are consistent with the market, income or cost approach, as specified by ASC 820, are used to measure fair value. The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities the Company has the ability to access.
- Level 2 inputs are inputs (other than quoted prices included within level 1) that are observable for the asset or liability, either directly or indirectly.
- Level 3 are unobservable inputs for the asset or liability and rely on management's own assumptions about the assumptions that market participants would use in pricing the asset or liability. (The unobservable inputs should be developed based on the best information available in the circumstances and may include the Company's own data.)

# Notes to Statement of Financial Condition (continued)

#### 9. Fair Value Measurement (continued)

The Company had no assets or liabilities measured at fair value under ASC 820 as of December 31, 2011.

#### Fair Value Option

ASC 825, "Financial Instruments" provides a fair value option election that allows entities to irrevocably elect fair value as the initial and subsequent measurement attribute for certain financial assets and liabilities. Changes in fair value are recognized in earnings as they occur for those assets and liabilities for which the election is made. The election is made on an instrument by instrument basis at initial recognition of an asset or liability or upon an event that gives rise to a new basis of accounting for that instrument. The fair value option has been not been elected for any financial assets or liabilities.

#### 10. Incentive Compensation Plans

Certain employees of the Company participate in the RHML's various long-term incentive compensation plans (the "Plans"). The Plans primarily consist of deferred cash and equity of RHML which are subject to certain vesting provisions. These awards are expensed over the vesting period.

#### 11. Subsequent Events

The Company has evaluated subsequent events through the date this statement of financial condition was available for issuance. No significant subsequent events have been identified that would require disclosure in the notes to the statement of financial condition.

#### Ernst & Young LLP

#### Assurance | Tax | Transactions | Advisory

#### About Ernst & Young

Ernst & Young is a global leader in assurance, tax, transaction and advisory services.

Worldwide, our 144,000 people are united by our shared values and an unwavering commitment to quality. We make a difference by helping our people, our clients and our wider communities achieve their potential.

For more information, please visit www.ey.com.

Ernst & Young refers to the global organization of member firms of Ernst & Young Global Limited, each of which is a separate legal entity.

Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. This Report has been prepared by Ernst & Young LLP, a client serving member firm located in the United States.

